



DEPARTMENT OF ADMINISTRATIVE SERVICES



STATE OF CONNECTICUT

Senate Bill 421

165 Capitol Avenue
Hartford, CT 06106-1658

An Act Concerning Certain Bidding Preferences in State and Municipal Contracting

Commerce Committee

March 13, 2014

As the agency responsible for statewide procurement, the Department of Administrative Services (DAS) wishes to share the following concerns regarding Senate Bill 421.

Senate Bill 421 proposes to modify the statutes relating to competitive bidding that require that contracts be awarded to the lowest responsible qualified bidder by allowing state contracting agencies to give a preference to companies based upon the estimated state income tax paid by employees working for the vendors. This proposal creates a multi-step process that is inconsistent with the state-wide contracting process, imposes administrative burdens on the bidders, vendors, state contracting agencies and the agencies that actually purchase off of the contracts, and is likely to increase costs to state agencies.

Section 2 of Senate Bill 421 states that if a state contracting agency chooses to utilize this preference, a bidder would estimate the state income taxes the company's employees would be likely to pay during the term of the contract by all of its employees who would be employed directly on the project and adjust its bid to reflect this estimated amount. The contracting agency would use this adjusted bid to determine which bidder should be awarded the contract.

The bill then requires the state agency to verify that the successful bidder's estimate was accurate by determining whether the vendor actually paid its employees the amount it estimated. If the vendor has not done so, the contracting agency is to reduce its payment to the vendor to reflect the difference between the Connecticut income taxes projected to be paid by the employees as reflected in the bid and the amount of income taxes estimated to be paid by the employees assuming a 5% income tax rate. In order to assess this, the contracting agency will be required to confirm the number of the vendor's employees actually employed in Connecticut who are working on the contract, and the salaries of each of those employees.

Additionally, DAS believes that Senate Bill 421 as currently drafted is likely to **increase the state's contracting costs** by encouraging agencies to award contracts to companies other than the lowest bidders.

Finally, DAS is concerned that this preference may be viewed as protectionist and may lead **neighboring states to retaliate** by imposing their own protectionist measures. Receiving a preference from the State of Connecticut will not necessarily compensate a Connecticut business that has lost opportunities to sell goods and services to New York, Pennsylvania or Massachusetts.

Thank you for considering DAS's views on this bill. If there are any questions about this testimony, please feel free to contact Terrence Tulloch-Reid (Terrence.Reid@ct.gov) or Andrea Keilty (Andrea.Keilty@ct.gov).